

Message Text

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ACTION AF-10

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-05 H-01 INR-10

L-03 NSAE-00 PA-01 SP-02 SS-15 NSCE-00 SSO-00

ICAE-00 INRE-00 AGRE-00 AID-05 COME-00 EB-08

FRB-03 TRSE-00 XMB-02 OPIC-03 LAB-04 SIL-01

OMB-01 ACDA-12 IO-13 NEA-10 EA-10 EUR-12 HA-05

CEA-01 STR-07 /145 W

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O 071750Z JUL 78

FM AMEMBASSY DAKAR

TO SECSTATE WASHDC NIACT IMMEDIATE 4821

C O N F I D E N T I A L SECTION 1 OF 2 DAKAR 5187

E.O. 11652: GDS

TAGS: PEPR, MOPS, EAID, SG

SUBJECT: SECURITY SUPPORTING ASSISTANCE FOR SENEGAL

REF: (A) STATE 168645, (B) DAKAR 4707, (C) STATE 160671

SUMMARY: WE BELIEVE THAT A STRONG CASE FOR SECURITY SUPPORTING ASSISTANCE (SSA) ON AN URGENT BASIS CAN BE MADE FOR SENEGAL. SENEGAL'S FINANCIAL SITUATION IS BADLY STRAINED. EARNINGS FROM PEANUT OIL, SENEGAL'S MAIN SOURCE OF FOREIGN EXCHANGE, ARE EXPECTED TO DROP FROM \$150 MILLION TO UNDER \$50 MILLION FOR THE 77-78 CROP YEAR. TRADE DEFICIT FOR CY 78 WILL PROBABLY RUN AT \$300 MILLION INSTEAD OF \$150 MILLION AVERAGE. BALANCE OF PAYMENTS SITUATION, HOWEVER, CAN BE COPEDED WITH IN SHORT RUN. PUBLIC FINANCE SITUATION IS FAR MORE CRITICAL, WITH GOS UNABLE MEET SEPT/OCT PAYROLLS FROM OWN RESOURCES. DEBT SERVICE AT 15 PERCENT OF EXPORTS IS MODEST FOR LDC. MAJOR BURDEN IS ESTIMATED \$13.5 MILLION IN UNREIMBURSED EXPENDITURES FROM SENDING SENEGALESE TROOPS TO UNIFIL LEBANON AND TO ZAIRE. ADDITIONAL PL 480 DOES NOT SEEM APPROPRIATE. WE RECOMMEND USG CONSIDERATION OF \$15-20 MILLION IN SECURITY SUPPORTING ASSISTANCE TO

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SENEGAL. THIS WOULD BE CONSISTENT WITH USG POLICY AS STATED BY SECRETARY IN JUNE 20 ATLANTIC CITY SPEECH "TO HELP STRENGTHEN THE ABILITY OF AFRICANS TO DEFEND THEMSELVES." IN ADDITION US WOULD BE SUPPORTING POOR AFRICAN NATION WHICH WITHOUT HESITATION HAS CONTRIBUTED TO TWO MAJOR PEACEKEEPING OPERATIONS IN 1978. FINALLY USG SUPPORTING ASSISTANCE WOULD HELP MUTE SOME OF THE

DOMESTIC CRITICISM OF PRESIDENT SENGHOR FOR TAKING
THESE IMPORTANT COLLECTIVE SECURITY ACTIONS.
END SUMMARY.

1. FOLLOWING IN RESPONSE TO REQUEST FOR CURRENT ECONOMIC
INFORMATION ON SENEGAL.

2.

A. BALANCE OF PAYMENTS: SENEGAL HAS RUN BALANCE OF
PAYMENTS DEFICITS EACH YEAR SINCE 1970. THE HISTORICAL
PATTERN HAS BEEN FOR LARGE TRADE DEFICITS TO BE PARTIALLY
OFFSET BY SURPLUSES ON SERVICES ACCOUNT AND BY FOREIGN
TRANSFERS, ALTHOUGH PAST TWO YEARS SERVICE ACCOUNT HAS
ALSO BEEN NEGATIVE. THE DROUGHT OF 1977 AND RESULTING
MEAGRE GROUNDNUT CROP HAS REDUCED SENEGAL'S EXPORTS OF
PEANUT OIL (NORMALLY THE CHIEF FOREIGN EXCHANGE EARNER)
FROM NORMAL \$150 MILLION PER YEAR TO WELL UNDER \$50
MILLION FOR 77-78. THIS YEAR'S TRADE DEFICIT (EXPORTS)
MINUS IMPORTS) WILL PROBABLY RUN AROUND \$300 MILLION,
AND CURRENT ACCOUNT DEFICIT COULD EXCEED \$150 MILLION.
DESPITE GLOOMY STATISTICAL PROGNOSIS, SENEGAL DOES HAVE
FINANCIAL LEVERS TO PULL WHICH SHOULD ENABLE IT TO RIDE
OUT THIS CRISIS. FIRST AS MEMBER OF SIX-NATION UMOA
(UNION MONETAIRE OUEST AFRICAINE) SENEGAL IS ABLE TO
MAINTAIN NEGATIVE FOREIGN EXCHANGE POSITION FOR LONG
PERIODS OF TIME, THANKS PRIMARILY TO LARGE SURPLUSES
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EARNED BY FELLOW UNION MEMBER IVORY COAST. SECONDLY,
SENEGAL STILL HAS CONSIDERABLE CREDIT LEFT WITH IMF.
LASTLY, STABEX PROVISIONS OF LOME CONVENTION WILL SHORTLY
GIVE SENEGAL ABOUT \$22 MILLION AS PARTIAL COMPENSATION
FOR LOSSES IN PEANUT OIL EXPORT EARNINGS WITH POSSIBILITY
OF LARGER SUMS TO FOLLOW. IN SUM, BALANCE OF PAYMENTS
PICTURE, WHILE BLEAK, CAN BE DEALT WITH FOR SHORT TERM.
PUBLIC FINANCE SITUATION (PARA C) IS FAR MORE CRITICAL
AT THIS POINT.

B. DEBT SERVICE. TOTAL EXTERNAL DEBT SERVICE FOR 1978
IS ESTIMATED AT ABOUT \$60 MILLION BY THE MINISTRY OF
FINANCE. THIS REPRESENTS LESS THAN 15 PERCENT OF PRO-
JECTED EXPORTS, RELATIVELY MODEST FIGURE FOR LDC. THIS
YEAR, HOWEVER, REPAYMENT OUT OF BELEAGUERED GOVERNMENT
BUDGET WILL BE MORE PAINFUL THAN USUAL.

C. PUBLIC FINANCE. GOS PROJECTS SERIOUS BUDGETARY CASH
FLOW PROBLEMS IN SEPTEMBER AND OCTOBER OF 1978, AND HAS
REPORTEDLY ASKED FRANCE FOR ASSISTANCE IN MEETING \$10-
MILLION DEFICIT FOR SEPTEMBER TO MEET GOVERNMENT PAYROLL.
(FRENCH HAVE REPORTEDLY AGREED TO PROVIDE \$10 MILLION
IN LOW-INTEREST LOAN.) LOCAL WORLD BANK REP TOLD US HE

FEELS ANOTHER \$10 MILLION MAY BE NEEDED AS WELL. GOS
RECEIPTS WILL BEGIN TO PICK UP AGAIN IN NOVEMBER
ASSUMING SATISFACTORY HARVEST AND CRUNCH SHOULD BE OVER
BY THEN. CASH FLOW PROBLEM WAS PARTLY CAUSED BY LOWER
THAN PROJECTED REVENUES FROM EXPORT TAXES AND BY
INCREASED COSTS IN MILITARY OPERATIONS DUE TO THE SHABA
AND LEBANON OPERATIONS.

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TO SECSTATE WASHDC NIACT IMMEDIATE 4822

C O N F I D E N T I A L SECTION 2 OF 2 DAKAR 5187

3. EXTRA EXPENDITURES FOR SENEGALESE FORCES FOR UN IN
LEBANON AND FOR ZAIRE. SENEGALESE ARMED FORCES G-4
(CHIEF OF LOGISTICS) HAS JUST RECENTLY TOLD OUR DEFENSE
ATTACHE THAT THE ADDITIONAL, UNREIMBURSED EXPENSES
TO THE GOS OCCASIONED BY SENDING A 600-MAN BATTALION TO
ZAIRE ARE ESTIMATED AT \$5,873,000. THIS IS BASED ON A
SIX-MONTHS STAY. FOR THE SENEGALESE BATTALION IN
LEBANON UNDER THE UNIFIL COMMAND, THE FIGURE IS
\$7,574,000, AGAIN FOR A SIX-MONTHS PERIOD. THIS SUM,
ACCORDING TO SENEGALESE MILITARY, WILL BE THEIR COST
OVER AND ABOVE UN REIMBURSEMENT. IN BOTH CASES, THESE
ARE OUT-OF-POCKET COSTS FOR SENEGAL. FURTHERMORE,
SENEGALESE TROOP PRESENCE IN BOTH ZAIRE AND LEBANON
WOULD PROBABLY BE REQUIRED FOR LONGER THAN SIX-MONTHS
PERIOD ON WHICH ABOVE ESTIMATES ARE BASED. G-4 TOLD
DATT THAT FORMER CAN SUPPLY FURTHER DETAILS AND BREAK-
DOWNS ON SENEGALESE EXPENSES FOR LEBANON AND SHABA
OPERATIONS.

4. POSSIBILITY OF PL 480. APPRECIATE DEPARTMENT'S

CONSIDERATION OF THIS POSSIBILITY, BUT BASED ON DISCUSSIONS WITH AID MISSION DIRECTOR, AN ADDITIONAL
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AMOUNT UNDER PL 480 TITLE I FOR FY 1979 DOES NOT SEEM TO BE THE RIGHT RESPONSE, NEITHER FROM USG NOR FROM GOS VIEWPOINT. NEGOTIATIONS FOR 25,000 MT OF RICE DURING FY 1977 WERE ADJOURNED BECAUSE U.S. WAS UNABLE TO SUPPLY KIND OF RICE WHICH SENEGAL WANTED, I.E. 80 PERCENT BROKENS. FURTHERMORE, IT TURNED OUT THAT U.S. RICE PLUS TRANSPORT WAS ABOUT TWICE AS EXPENSIVE AS THE 80 PERCENT BROKENS DELIVERED IN DAKAR FROM THAILAND. UNDER CURRENT PRICES, IT IS EXPECTED THAT FROM 25,000 TO 30,000 MT OF RICE COULD BE IMPORTED IN FY 1979 UNDER THE TITLE III PROGRAM. WITH THIS AMOUNT WE COULD PROBABLY MEET USUAL MARKETING REQUIREMENTS AND OTHER CRITERIA OF THIS PROGRAM. HOWEVER, IT WOULD BE DIFFICULT TO JUSTIFY A LARGER AMOUNT. HENCE, WE PLAN TO GO AHEAD WITH THE TITLE III PROGRAM FOR FY 1979 TENTATIVELY SET AS PER REFTEL AT LEVEL OF DOLS 7 MILLION.

5. CONCLUSIONS AND RECOMMENDATIONS. FROM ABOVE DATA AND INFORMATION, WHICH ARE BASED ON TALKS WITH IBRD RESIDENT REP IN SENEGAL, FRENCH EMBASSY SOURCES, AND KNOWLEDGEABLE GOS MILITARY SOURCES, AND FROM OUR OWN ONGOING ANALYSIS AND REPORTS ON THE SENEGALESE ECONOMY OVER THE PAST YEAR, WE MUST CONCLUDE THAT SENEGAL'S FINANCIAL SITUATION IS INDEED SERIOUS. BASED ON SENEGAL'S UNBUDGETED AND UNREIMBURSED UN AND AFRICAN COLLECTIVE SECURITY CONTRIBUTIONS, WHICH ARE ESTIMATED AT US DOLS 13.5 MILLION (UNREIMBURSED COST OF UNIFIL LEBANON AND ZAIRE FOR SIX MONTHS) AND THE AS YET UNCOVERED DOLS 10 MILLION WHICH THE GOS NEEDS TO MEET ITS OCTOBER PAYROLL, WE RECOMMEND USG CONSIDERATION OF DOLS 15 TO 20 MILLION IN SECURITY SUPPORTING ASSISTANCE FOR SENEGAL.

6. THREE OTHER FACTORS ARE GERMANE:

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A. SUPPORTING ASSISTANCE TO SENEGAL WOULD BE CONSISTENT WITH AND SUPPORTIVE OF USG POLICY ON AFRICA, AS STATED BY THE SECRETARY IN HIS JUNE 20 ATLANTIC CITY SPEECH, WHEN HE SAID, "OUR BEST COURSE IS TO HELP RESOLVE THE PROBLEMS WHICH CREATE THE EXCUSE FOR EXTERNAL INTERVENTION AND TO HELP STRENGTHEN THE ABILITY OF AFRICANS TO DEFEND THEMSELVES."

B. IN SENEGAL, WE HAVE AN EXAMPLE OF A POOR BUT DEMOCRATIC NATION, WITH A GOOD HUMAN RIGHTS RECORD, WHICH DESPITE THE KNOWLEDGE OF A BAD FINANCIAL BIND DUE TO THE 1977-78 FAILURE OF ITS MAIN CASH CROP-- PEANUTS-- DID NOT HESITATE TO CONTRIBUTE MEN, MATERIAL, AND MONEY TO TWO OF 1978'S MAJOR PEACEKEEPING OPERATIONS, THE LEBANON AND ZAIRE. SENEGAL TOOK THESE ACTIONS PROMPTLY OUT OF POLITICAL CONVICTION, WITHOUT SECURING ANY PRIOR FINANCIAL COMMITMENTS FROM OTHER SOURCES. WE BELIEVE THIS KIND OF RESPONSIVE INTERNATIONAL BEHAVIOUR HAS BUTTRESSED US INTERESTS IN BOTH THE ME AND AFRICA.

C. IT WOULD BE WRONG TO THIN THAT SENEGAL'S DUAL CONTRIBUTION TO COLLECTIVE SECURITY IN THE MIDDLE EAST AND THE PAN-AFRICAN FORCE IN ZAIRE HAS BEEN PERCEIVED UNCRITICALLY BY THE SENEGALESE BODY POLITIC. IN A COUNTRY WHERE OPEN TALK, "LA PALABRE", IS A WAY OF LIFE, PRESIDENT SENGHOR'S ACTIONS HAVE CAUSED A LOT OF MUTTERING. IF USG COULD DEMONSTRATE THAT ONE OF SENEGAL'S CONCRETE SENSE, THIS WOULD GO FAR TO MUTE THE CRITICISM AT HOME. SENEGALESE AND US INTERESTS IN AFRICA ARE BY AND LARGE IDENTICAL AND MUTUALLY SUPPORTIVE.
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